

HOPKINS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 13, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hopkins Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Hopkins Public Schools

July 13, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2006, on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and page 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkins Public Schools' basic financial statements. The additional information on pages 28 to 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costurison & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hopkins Public School District's (HPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the district's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The 2005-06 school year resulted in an operating deficit in the General Fund for the third consecutive year; which had been anticipated when the original budget was approved. Once again health insurance and pension costs increased greater than 10% as did diesel fuel and heating costs. Revenue increases and student count increases were not sufficient to offset these expenditure changes. The initial budget projection for 2005/06 was for a deficit of \$359,000, while the actual deficit comes in at shortly less than \$236,000. This will reduce the districts General Fund balance to \$2,152,000 or slightly more than 18% of budgeted expenditures.

The Athletic Fund ran an operating deficit of \$7,352.00 for the year as a new soccer program was instituted at the middle school, and will be moving into the high school during 2006/07. The current fund balance in the athletic account is \$11,771.00.

The School Lunch fund had a deficit for the first time in the past three years. An operating loss of \$12,621 reduced the year end fund balance to \$27,109.

In total, District revenues for the 2005/06 school fiscal year for all funds were \$13,683,064 with expenditures equaling \$13,935,239, an excess of expenditures of \$252,265. This was an increase in total revenues of \$685,000 in revenues and increased expenditures of \$858,000 for the fiscal year. The district once again borrowed money from the school bond loan fund (SBLF: \$74,593) which allowed the district to keep the debt millage at 8 mills. Beginning with the 2006/07 school year the district will begin repaying money to the SBLF, an estimated \$58,000 will be repaid in the upcoming year.

Once again the largest increase in revenues came from the Debt Retirement fund where increasing property values led the collection of over \$110,000 more then in 2004/05. In the General fund revenues also increased with a growth of 34 students.

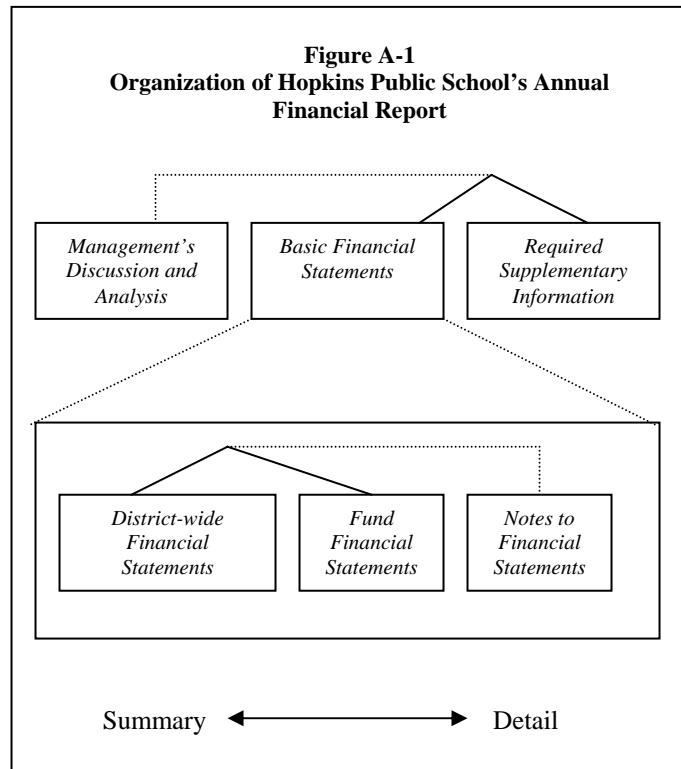
The district sold it's ITFS (instruction & television) license to the Hispanic network during fiscal 05/06 and used this money to establish a Public Improvement fund with a fund balance of \$458,000. This fund will be used for property acquisition or building and site improvements in the future.

During the 2005/06 year the district retired principal of \$784,000 in long term debt. Borrowings from the SBLF of \$74,593 were \$138,000 less then in fiscal 05/06. Fund balances for all district funds increased from \$2,772,195 to slightly over \$3,082,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – District net assets increased to a positive amount during fiscal 2006. Higher repayments of district indebtedness as well as lower borrowing from the school bond loan fund contributed towards that charge.

Table A-3		
Hopkins Public School's Net Assets		
	2006	2005
Current and other assets	\$ 4,421,052	\$ 4,425,133
Capital assets	20,140,757	20,842,512
Total assets	24,561,809	25,267,645
Long-term debt outstanding	22,079,413	22,720,026
Other liabilities	2,423,194	2,764,766
Total liabilities	24,502,607	25,484,792
Net assets		
Invested in capital assets, net of related debt	(1,996,468)	(1,783,679)
Restricted	307,457	182,473
Unrestricted	1,748,213	1,384,059
Total net assets	\$ 59,202	\$ (217,147)

Table A-4		
Changes in Hopkins Public School's Net Assets		
	2006	2005
Revenues:		
Program revenues	\$ 613,267	\$ 617,305
Charges for services	491,191	503,025
General revenues:		
Property taxes	2,022,836	1,866,740
State aid - unrestricted	10,275,825	9,759,946
Other	764,588	251,168
Total revenues	14,167,707	12,998,184
Expenses:		
Instruction	6,823,574	6,057,901
Support services	5,088,556	4,503,699
Community services	30,107	29,684
Food services	633,075	613,733
Athletics	114,519	90,677
Interest on long-term debt	1,011,202	986,357
Unallocated depreciation	190,325	467,673
Total expenses	13,891,358	12,749,724
Increase in net assets	\$ 276,349	\$ 248,460

DISTRICT GOVERNMENTAL ACTIVITIES

Although district fund balances during the 2006 fiscal year grew by more than \$310,000 the district ran significant deficits in the General, School Lunch and Athletic Fund. Only the debt fund increased its fund balance. The remainder of the increase was due to the sale of the district's ITFS license and establishment of a new Public Improvement fund. Despite the deficits the district remains in above average overall financial health with a general fund balance near 19%, well in excess of the Board policies requirement of 15%.

- Student growth remains positive. The district's blended student count (a combination of the winter and fall count during calendar year 2005) has once again increased from 1,512 in fiscal 2005 to 1,546 in fiscal 2006. The increase since 1998 has been from 1,311 in 1998 to 1546, percentage increase of 18% over the past 8 years.
- While the student foundation grant was increased by the state for the first time since 2003 double digit increases in utilities, bus fuel, pension costs and health insurance more than offset that increase.
- The district replaced the school lunch van which, though necessary, helped put the lunch fund into a deficit for 2006. It is expected that prices for lunch will be increased in 2007 to offset higher commodity cost being incurred by the district.
- Soccer was added to the districts athletic mix. As district growth continues, the high school has become a "Class B" district, and additional competitive areas may become necessary.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned earlier in most district funds, expenditures exceeded revenue during fiscal 2006. While district fund balances remains healthy. The Board of Education and Administration are exploring available options in the Athletic and School Lunch Department. Ongoing negotiations with employee groups are hoped to help the districts General Fund.

General Fund and Budget Highlights

During fiscal 2006 the district's budgets were amended several times to reflect the changes that had major impact upon the district.

Initial amendments were made once the student count, district hiring's and State Aid was known. As utility amounts changed, other amendments were made to recognize those changes as well as other activities taking place throughout the year.

Final budget amendments were proposed in May, and approved by the Board of Education in June. This budget anticipated a deficit of \$288,000 for the year. Final figures shared a deficit of \$236,000.

Overall the districts revenues were \$190,000 higher than was originally anticipated when the original district budget was approved in June 2005. District expenditures increased by \$130,000 over the original approved budget. Much of that increase was the result of much higher natural gas costs, up 14% despite a milder winter, a 10% increase in electric bills and a 35% increase in bus fuel. The increase in students also required an increase in supplies and materials at the different student levels.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in Fiscal 2006 were again slightly lower than normal because of deficit pressures. Replacement of technology, two new school buses, and a new school lunch van made up the majority of capital spending.

Table A-5 Hopkins Public School's Capital Assets Net of Depreciation		
	2006	2005
Land	\$ 50,000	\$ 50,000
Construction in progress		92,368
Building and additions	19,200,389	19,639,168
Furniture and equipment	372,068	531,357
Transportation equipment	518,300	529,619
Total	<u>\$ 20,140,757</u>	<u>\$ 20,842,512</u>

Long-term Debt

At the conclusion of fiscal 2006 the District continued to have over \$23,038,000 in general obligation bonds and long term debt outstanding. This amount was \$653,000 less than the 2005 fiscal year. During fiscal 2006 the district retired \$755,000 in bond principal, but added new borrowings from the School Bond Loan Fund in the amount of \$74,593.

Table A-6 Hopkins Public School's Outstanding Long-Term Debt		
	2006	2005
General obligation bond (financed with property tax)	\$ 16,492,397	\$ 17,276,674
School bond loan fund	5,644,828	5,349,517
Other *	901,342	1,066,128
Total	<u>\$ 23,038,567</u>	<u>\$ 23,692,319</u>
* Accrued interest payable, accrued severance pay, accrued compensated absences.		

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District was aware of several areas which could have a large impact on the 2007 fiscal year and the future.

- The State of Michigan has not yet set a School Aid Act for fiscal 2007.
- District student count is expected to increase in 2007. At this point the economy of the state and this area make it impossible to estimate the extent of the student count change.
- The contracts for teachers as well as the custodial, maintenance and secretarial staff have expired and not yet been settled. Salary and benefit costs are estimated at this time.
- The District has formed a citizens committee to make recommendations to deal with the districts' space need. There may be a need to look at portable classroom units in the near future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 1,652,817
Investments	634,806
Due from other governmental units	1,903,472
Interest receivable	13,816
Inventories	85,447
Prepaid expenditures	130,694
TOTAL CURRENT ASSETS	4,421,052
NONCURRENT ASSETS:	
Capital assets	26,976,798
Less accumulated depreciation	(6,836,041)
TOTAL NONCURRENT ASSETS	20,140,757
TOTAL ASSETS	\$ 24,561,809
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 37,787
Accrued salaries and related items	364,663
Accrued interest	142,971
Accrued expenses	198,619
Note payable	720,000
Current portion of accrued severance pay	113,925
Current portion of long-term obligations	811,481
Current portion of compensated absences and retirement incentives	33,748
TOTAL CURRENT LIABILITIES	2,423,194
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	21,325,744
Noncurrent portion of compensated absences and retirement incentives	678,129
Noncurrent portion of accrued severance pay	75,540
TOTAL NONCURRENT LIABILITIES	22,079,413
TOTAL LIABILITIES	24,502,607
NET ASSETS (DEFICIT):	
Invested in capital assets net of related debt	(1,996,468)
Restricted for debt service	307,457
Unrestricted	1,748,213
TOTAL NET ASSETS	59,202
TOTAL LIABILITIES AND NET ASSETS	\$ 24,561,809

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 6,823,574	\$	\$ 390,634	\$ (6,432,940)
Support services	5,088,556	13,402	12,784	(5,062,370)
Community services	30,107	31,782		1,675
Food services	633,075	391,417	209,849	(31,809)
Athletics	114,519	54,590		(59,929)
Interest on long-term debt	1,011,202			(1,011,202)
Unallocated depreciation	190,325			(190,325)
Total governmental activities	<u>\$ 13,891,358</u>	<u>\$ 491,191</u>	<u>\$ 613,267</u>	<u>(12,786,900)</u>
General revenues:				
Property taxes, levied for general purposes				460,453
Property taxes, levied for debt service				1,562,383
Investment earnings				80,506
State sources				10,275,825
Allegan ISD special education allocation				157,868
Special item - gain on sale of ITFS license				487,797
Other				38,417
Total general revenues				<u>13,063,249</u>
CHANGE IN NET ASSETS				276,349
NET ASSETS (DEFICIT), beginning of year				<u>(217,147)</u>
NET ASSETS, end of year				<u>\$ 59,202</u>

HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General fund	Capital projects - public improvement fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 742,398	\$ 458,257	\$ 452,162	\$ 1,652,817
Investments	634,806			634,806
Interest receivable	13,816			13,816
Due from other governmental units	1,903,472			1,903,472
Due from other funds	9,068		20,309	29,377
Inventories	74,675		10,772	85,447
Prepaid expenditures	128,783		1,911	130,694
TOTAL ASSETS	\$ 3,507,018	\$ 458,257	\$ 485,154	\$ 4,450,429

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 33,346	\$	\$ 4,441	\$ 37,787
Accrued salaries and related items	364,663			364,663
Accrued expenses	198,619			198,619
Due to other funds	20,309		9,068	29,377
Accrued interest	17,663			17,663
Note payable	720,000			720,000
TOTAL LIABILITIES	1,354,600		13,509	1,368,109

	General fund	Capital projects - public improvement fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for inventories	\$ 74,675	\$	\$ 10,772	\$ 85,447
Reserved for prepaid expenditures	128,783			128,783
Reserved for debt service			432,765	432,765
Designated for accrued retirement benefits	711,877			711,877
Designated for subsequent year expenditures	207,000			207,000
Unreserved, undesignated	1,030,083	458,257	28,108	1,516,448
TOTAL FUND BALANCES	2,152,418	458,257	471,645	3,082,320
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,507,018	\$ 458,257	\$ 485,154	\$ 4,450,429

Total Governmental Fund Balances				\$ 3,082,320
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			\$ 26,976,798	
Accumulated depreciation is			(6,836,041)	
				20,140,757
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
Bonds payable				(22,137,225)
Compensated absences				(711,877)
Severance pay				(189,465)
Accrued interest on long-term debt is not included as a liability in government funds, it is recorded when paid				(125,308)
Net assets of governmental activities				\$ 59,202

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General fund	Capital projects - public improvement fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ 460,453	\$	\$ 1,565,536	\$ 2,025,989
Investment earnings	59,453	257	20,796	80,506
Food sales and athletic admissions			441,943	441,943
Other	97,951		5,155	103,106
Total local sources	617,857	257	2,033,430	2,651,544
State sources	10,393,162		75,891	10,469,053
Federal sources	228,276		176,323	404,599
Incoming transfers	157,868			157,868
Total revenues	11,397,163	257	2,285,644	13,683,064
EXPENDITURES:				
Current:				
Instruction	6,969,901			6,969,901
Supporting services	4,596,380			4,596,380
Food service activities			633,567	633,567
Athletic activities			81,611	81,611
Community service activities	30,107			30,107
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$	\$	\$ 784,277	\$ 784,277
Interest expense			807,864	807,864
Professional fees		29,797	1,825	31,622
Total expenditures	11,596,388	29,797	2,309,144	13,935,329
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(199,225)	(29,540)	(23,500)	(252,265)
OTHER FINANCING SOURCES (USES):				
Proceeds from school bond loan fund			74,593	74,593
Operating transfers from other funds			36,538	36,538
Operating transfers to other funds	(36,538)			(36,538)
Total other financing sources (uses)	(36,538)		111,131	74,593
SPECIAL ITEM				
Proceeds from sale of ITFS license		487,797		487,797
NET CHANGE IN FUND BALANCES	(235,763)	458,257	87,631	310,125
FUND BALANCES:				
Beginning of year	2,388,181		384,014	2,772,195
End of year	\$ 2,152,418	\$ 458,257	\$ 471,645	\$ 3,082,320

**HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances total governmental funds	\$ 310,125
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(850,081)
Capital outlay	148,326

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	142,688
Accrued interest payable, end of the year	(125,308)

Accrued severance pay is recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid:

Accrued severance pay, beginning of year	336,170
Accrued severance pay, end of year	(189,465)

Proceeds and repayments of principal on long-term debt are revenues and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):

Principal repayment	784,277
Proceed from school bond loan fund	(295,311)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue, beginning of the year	(3,153)
Accrued revenue, end of the year	

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	729,958
Accrued compensated absences, end of the year	<u>(711,877)</u>

Change in net assets of governmental activities	<u><u>\$ 276,349</u></u>
--	---------------------------------

HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

ASSETS	Private purpose trust fund	Agency funds
Cash	\$	\$ 46,602
Land	37,000	
Land improvements	3,522	
Building	40,000	
Building improvements	1,097	
	<u>\$ 81,619</u>	<u>\$ 46,602</u>
	<u><u>\$ 81,619</u></u>	<u><u>\$ 46,602</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Due to student groups	\$	\$ 46,602
Net assets:		
Reserved for school use	<u>81,619</u>	
	<u>\$ 81,619</u>	<u>\$ 46,602</u>
	<u><u>\$ 81,619</u></u>	<u><u>\$ 46,602</u></u>

There was no activity in the private purpose trust fund for the year ended June 30, 2006.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Hopkins Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Hopkins Public Schools (the "District") is governed by the Hopkins Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate District sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school District functions typically are financed. The acquisition, use and balances of the school District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual method of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax mileage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0
Debt service fund - Homestead and non-homestead	8.0

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 15 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

6. Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

Excess of expenditures over appropriations in budgeted funds - During the year, the local governmental unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Budgeted item</u>	<u>Budget appropriation</u>	<u>Actual expenditure</u>	<u>Budget variable</u>
General fund - basic programs	\$ 5,580,000	\$ 5,821,880	\$ (241,880)
General fund - added needs	1,125,000	1,148,021	(23,021)

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
Money markets:				
Guaranteed investment contracts	<u>\$ 634,806</u>	<u>0.14</u>	A1+	<u>100.0%</u>
Portfolio weighted average maturity		<u>0.14</u>		

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$1,718,539 of the District's bank balance of \$2,118,539 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the note payable disclosed in Note 5.

The Investment Agreement was dated as of August 19, 2005, by and among J.P.Morgan Trust Company, National Association, as the Depository on behalf of both the participating Michigan School Districts and the Michigan Municipal Bond Authority, and Citigroup Global Markets, Inc., as Provider.

The net proceeds from the sale of the Series B-1 Notes were loaned by the Authority to Michigan School Districts. Such loans were repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 102% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 4.09% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Citigroup, Inc., as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

A reconciliation of cash and investments as shown on the combined statement of net assets follows:

Carrying value:	
Cash on deposit with insurance company	\$ 33,600
Cash on hand	200
Carrying amount of deposits: Checking	330,026
Carrying amount of deposits: Money markets and CD's	1,335,593
Carrying amount of investment	<u>634,806</u>
Total	<u><u>\$ 2,334,225</u></u>
Per financial statements:	
Cash - including agency funds of \$46,602	\$ 1,699,419
Investments	<u>634,806</u>
Total	<u><u>\$ 2,334,225</u></u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Assets not being depreciated - land	\$ 50,000	\$	\$	\$ 50,000
Construction in progress	92,368		92,368	
Total capital assets not being depreciated	142,368		92,368	50,000
Other capital assets:				
Buildings and additions	23,895,624	59,080		23,954,704
Furniture and equipment	1,376,479	35,140		1,411,619
Transportation equipment	1,520,509	146,474	106,508	1,560,475
Subtotal	26,792,612	240,694	106,508	26,926,798
Accumulated depreciation:				
Buildings and additions	4,282,739	471,576		4,754,315
Furniture and equipment	818,839	220,712		1,039,551
Transportation equipment	990,890	157,793	106,508	1,042,175
Net other capital assets	6,092,468	850,081	106,508	6,836,041
Net capital assets	<u>\$ 20,842,512</u>	<u>\$ (609,387)</u>	<u>\$ 92,368</u>	<u>\$ 20,140,757</u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$850,081.

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 32,439
Support services	594,410
Athletics	32,907
Unallocated depreciation	<u>190,325</u>
Total depreciation	<u>\$ 850,081</u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES

Receivables at June 30, 2006 consist of the following:

	General fund
State Aid - State of Michigan	\$ 1,889,705
Other governmental units	<u>13,767</u>
	<u>\$ 1,903,472</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 6 - NOTE PAYABLE

At June 30, 2006, the District has outstanding a \$720,000 revenue note (state-aid note). The note, which has an interest rate of 2.87%, matures August 18, 2006. The District has \$634,806 of funds on deposit in a guaranteed investment contract with a financial institution, which are included in investments on the general fund balance sheet, to pay-off the note. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2005	Additions	Payments	Balance June 30, 2006
<u>\$ 840,000</u>	<u>\$ 720,000</u>	<u>\$ 840,000</u>	<u>\$ 720,000</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

1996 general obligation bonds due in an annual installment of \$700,000 through May 1, 2007 with interest at 6.25%	\$ 700,000
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1998 general obligation refunding bonds due in annual installments of \$60,000 to \$415,000 through May 1, 2026 with interest at 4.0% to 4.65%	7,945,000
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1999 general obligation refunding bonds due in annual installments of \$45,000 to \$440,000 through May 1, 2026 with interest at 4.05% to 4.75%	<u>7,795,000</u>
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Total general obligation bonds	16,440,000
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1998 limited obligation bonds (Durant bonds) due in annual installments of \$6,481 to \$8,569 through May 1, 2013 with interest at 4.76%. Certain state aid payments have been pledged as security.	52,397
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Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	5,644,828
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Accrued retirement benefits:

Obligation under contract for compensated absences and retirement incentives	711,877
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Obligation under contract for severance pay	<u>189,465</u>
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Total general long-term debt	<u><u>\$ 23,038,567</u></u>
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The District has entered into voluntary termination benefit arrangements with certain employees. The original agreement provides for a total payment to each individual of one years salary. This amount is paid out over four equal payments. There are currently seven employees entitled to future payments. The liability has been recorded at the face amount, as the discounted present value approximates the face amount of the liability.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2006, including interest of \$7,903,621, are as follows:

Year ending June 30,	Total
2007	\$ 1,563,956
2008	1,540,985
2009	1,507,164
2010	1,468,131
2011	1,463,897
2012-2016	6,657,021
2017-2021	5,602,522
2022-2026	4,592,342
	<hr/> 24,396,018
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	5,644,828
Accrued retirement benefits:	
Obligation under contract for compensated absences and retirement incentives	711,877
Obligation under contract for severance pay	189,465
	<hr/>
Total general long-term debt and interest	<u><u>\$ 30,942,188</u></u>

An amount of \$432,765 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2006 was \$1,049,188. Also, the 1998 limited obligation bonds (Durant bonds) can be paid only through annual appropriations from the State of Michigan.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Concluded)

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due within one year
General obligation bonds	\$ 17,195,000	\$	\$ 755,000	\$ 16,440,000	\$ 805,000
Limited obligation bonds	81,674		29,277	52,397	6,481
School bond loan fund	5,349,517	295,311		5,644,828	
Accumulated unpaid sick pay	539,458		24,581	514,877	33,748
Accrued early retirement incentives	190,500	6,500		197,000	
Severance pay	336,170		146,705	189,465	113,925
Totals	<u>\$ 23,692,319</u>	<u>\$ 301,811</u>	<u>\$ 955,563</u>	<u>\$ 23,038,567</u>	<u>\$ 959,154</u>

At June 30, 2006 outstanding general obligation bonds of \$15,050,000 relating to the 1996 issue are considered to be defeased.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006 were 14.87% of payroll through September 30, 2005 and 16.34% effective October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were \$1,058,970, \$922,963, and \$812,710, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT (Concluded)

Hopkins Public Schools is self insured for dental and vision claims. Claims for the year ending June 30, 2006 and 2005 were approximately \$232,505 and \$175,103, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2006 and 2005 is not significant.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

NOTE 10 - TRANSFERS

The general fund transferred \$36,538 to the special revenue fund, \$19,000 to the school lunch fund and \$17,538 to the athletics fund to cover operating deficits.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2006 are as follows:

Payable fund		Receivable fund	
General	\$ 20,309	Food service	\$ 20,309
Food service	9,068	General	9,068
	<u>\$ 29,377</u>		<u>\$ 29,377</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2022				
	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 550,000	\$ 590,000	\$ 617,857	\$ 27,857
State sources	10,237,000	10,387,000	10,393,162	6,162
Federal sources	238,000	243,000	228,276	(14,724)
Incoming transfers	180,000	177,000	157,868	(19,132)
Total revenues	11,205,000	11,397,000	11,397,163	163
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	5,423,000	5,580,000	5,821,880	(241,880)
Added needs	1,106,000	1,125,000	1,148,021	(23,021)
Total instruction	6,529,000	6,705,000	6,969,901	(264,901)
Supporting services:				
Pupil	655,000	590,000	575,134	14,866
Instructional staff	325,000	335,000	331,329	3,671
General administration	250,000	330,000	315,973	14,027
School administration	809,000	805,000	800,329	4,671
Business	431,000	375,000	339,796	35,204
EXPENDITURES (Concluded):				
Supporting services (Concluded):				
Operation and maintenance	\$ 1,357,000	\$ 1,350,000	\$ 1,265,325	\$ 84,675
Central	216,000	155,000	133,751	21,249
Pupil transportation	840,000	945,000	834,743	110,257
Total supporting services	4,883,000	4,885,000	4,596,380	288,620
Community service activities	57,000	55,000	30,107	24,893
Total expenditures	11,469,000	11,645,000	11,596,388	48,612
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(264,000)	(248,000)	(199,225)	48,775
OTHER FINANCING SOURCES (USES):				
Operating transfers to other funds	(95,000)	(40,000)	(36,538)	3,462
NET CHANGE IN FUND BALANCE	\$ (359,000)	\$ (288,000)	(235,763)	\$ 52,237
FUND BALANCE:				
Beginning of year			2,388,181	
End of year			\$ 2,152,418	

ADDITIONAL INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2006**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash	\$ 19,397	\$ 432,765	\$ 452,162
Due from other funds	20,309		20,309
Prepaid expenses	1,911		1,911
Inventories	10,772		10,772
TOTAL ASSETS	<u><u>\$ 52,389</u></u>	<u><u>\$ 432,765</u></u>	<u><u>\$ 485,154</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Due to other funds	\$ 9,068	\$	\$ 9,068
Accounts payable	4,441		4,441
TOTAL LIABILITIES	<u>13,509</u>		<u>13,509</u>
FUND BALANCES:			
Reserved for inventories	10,772		10,772
Reserved for debt service		432,765	432,765
Unreserved, undesignated	28,108		28,108
TOTAL FUND BALANCES	<u>38,880</u>	<u>432,765</u>	<u>471,645</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 52,389</u></u>	<u><u>\$ 432,765</u></u>	<u><u>\$ 485,154</u></u>

**HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2006**

[illegible]

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2006 AND 2005**

ASSETS	<u>2006</u>	<u>2005</u>
Cash	\$ 742,398	\$ 1,278,044
Investments	634,806	731,129
Due from other governmental units	1,903,472	1,821,636
Due from other funds	9,068	
Accrued interest receivable	13,816	9,359
Inventories	74,675	60,936
Prepaid expenses	128,783	127,814
	<u>\$ 3,507,018</u>	<u>\$ 4,028,918</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 33,346	\$ 102,311
Accrued interest	17,663	12,984
Accrued expenses	198,619	207,871
Accrued salaries	364,663	477,571
Due to other funds	20,309	
Note payable	720,000	840,000
Total liabilities	<u>1,354,600</u>	<u>1,640,737</u>
Fund balance:		
Reserved for inventories	74,675	60,936
Reserved for prepaid expenses	128,783	127,814
Unreserved:		
Designated for accrued retirement benefits	711,877	698,756
Designated for subsequent year expenditures	207,000	353,000
Undesignated	1,030,083	1,147,675
Total fund balance	<u>2,152,418</u>	<u>2,388,181</u>
	<u>\$ 3,507,018</u>	<u>\$ 4,028,918</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
LOCAL SOURCES:		
Property taxes	\$ 460,453	\$ 410,355
Interest	59,453	30,813
Other local revenue	76,324	70,725
Welcoming school grant	8,225	6,600
Building rentals	13,402	18,905
Refunds and rebates		8,952
TOTAL LOCAL SOURCES	617,857	546,350
STATE SOURCES:		
State school aid	9,858,563	9,427,919
Driver education		200
Special education	363,483	332,068
Vocational education	9,353	5,154
At risk	133,940	140,319
Durant	12,784	12,784
Other state revenue	15,039	2,209
TOTAL STATE SOURCES	10,393,162	9,920,653
FEDERAL SOURCES:		
Title I	152,199	146,251
Improving teacher quality	60,402	59,987
Drug free schools and communities	3,037	6,027
Other federal revenue	12,638	12,425
TOTAL FEDERAL SOURCES	228,276	224,690
INCOMING TRANSFERS:		
Special education	157,868	179,598
TOTAL REVENUES	\$ 11,397,163	\$ 10,871,291

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2006 AND 2005**

INSTRUCTION:	2006	2005
Basic programs:		
Elementary:		
Salaries	\$ 1,736,575	\$ 1,574,245
Benefits	757,167	651,169
Purchased services	38,142	52,614
Supplies and materials	48,471	44,264
Other expenses	2,488	2,740
Capital outlay	5,979	3,978
Total elementary	<u>2,588,822</u>	<u>2,329,010</u>
Middle school:		
Salaries	747,782	707,153
Benefits	397,360	340,947
Purchased services	41,031	25,848
Supplies and materials	12,130	11,089
Other expenses		242
Capital outlay	3,500	3,282
Total middle school	<u>1,201,803</u>	<u>1,088,561</u>
High school:		
Salaries	1,188,543	1,124,578
Benefits	599,153	497,950
Purchased services	46,053	44,874
Supplies and materials	76,997	82,661
Other expenses	10,199	3,443
Capital outlay	110,310	16,872
Total high school	<u>2,031,255</u>	<u>1,770,378</u>
Total instruction - basic programs	<u>5,821,880</u>	<u>5,187,949</u>
Added needs:		
Special education:		
Salaries	471,700	470,119
Benefits	241,937	215,751
Purchased services	132,389	66,454
Supplies and materials	6,468	5,501
Other expenses	736	699
Total special education	<u>853,230</u>	<u>758,524</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2006 AND 2005**

INSTRUCTION (Concluded):	<u>2006</u>	<u>2005</u>
Added needs (Concluded):		
Compensatory education:		
Salaries	\$ 147,651	\$ 147,325
Benefits	56,244	50,933
Purchased services	7,057	374
Supplies and materials	1,321	2,660
Other expenses	<u>2,834</u>	<u>3,654</u>
Total compensatory education	<u>215,107</u>	<u>204,946</u>
Vocational education:		
Salaries	41,711	37,849
Benefits	27,536	24,215
Purchased services	3,802	5,360
Supplies and materials	5,939	1,449
Other expenses	<u>696</u>	<u></u>
Total vocational education	<u>79,684</u>	<u>68,873</u>
Drivers education:		
Salaries		2,565
Benefits		757
Purchased services		752
Supplies and materials		<u>118</u>
Total drivers education		<u>4,192</u>
Total instruction - added needs	<u>1,148,021</u>	<u>1,036,535</u>
TOTAL INSTRUCTION	<u>6,969,901</u>	<u>6,224,484</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
SUPPORTING SERVICES:		
Support services - pupil:		
Guidance services:		
Salaries	\$ 167,289	\$ 155,668
Benefits	91,645	79,025
Purchased services	3,071	4,714
Supplies and materials	4,494	4,086
Other expenses	986	4,628
	<u>267,485</u>	<u>248,121</u>
Total guidance services		
Psychological services:		
Salaries	39,646	35,818
Benefits	25,392	22,127
Supplies and materials	1,668	2,851
Other expenses	324	2,995
	<u>67,030</u>	<u>63,791</u>
Total psychological services		
Occupational therapist:		
Salaries	21,614	20,092
Benefits	7,556	5,843
Purchased services	232	451
Supplies and materials	179	398
	<u>29,581</u>	<u>26,784</u>
Total occupational therapist		
Social work services:		
Salaries	62,936	60,984
Benefits	30,404	29,712
Purchased services	248	610
Supplies and materials	263	257
	<u>93,851</u>	<u>91,563</u>
Total social work services		

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
SUPPORTING SERVICES (Continued) :		
Support services - pupil:		
Speech therapist services:		
Salaries	\$ 45,894	\$ 66,860
Benefits	13,946	17,388
Purchased services	6,359	12,138
Supplies and materials	763	153
Other expenses	190	155
	<u>67,152</u>	<u>96,694</u>
Total speech therapist services		
	<u>67,152</u>	<u>96,694</u>
Other pupil services:		
Salaries	25,829	32,394
Benefits	7,501	8,175
Purchased services	13,516	14,265
Supplies and materials	2,813	4,282
Other expenses	376	405
	<u>50,035</u>	<u>59,521</u>
Total other pupil services		
	<u>50,035</u>	<u>59,521</u>
Total support services - pupil		
	<u>575,134</u>	<u>586,474</u>
Support services - instructional staff:		
Library:		
Salaries	98,782	94,048
Benefits	37,213	33,807
Purchased services	3,289	4,558
Supplies and materials	15,838	24,087
Other expenses	4,963	6,015
	<u>160,085</u>	<u>162,515</u>
Total library		
	<u>160,085</u>	<u>162,515</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
SUPPORTING SERVICES (Continued):		
Support services - instructional staff (Concluded):		
Professional development:		
Salaries	\$ 5,389	\$ 890
Benefits	11,816	9,792
Purchased services	9,972	1,528
Supplies and materials	340	30
Other expenses	4,532	
	<u>32,049</u>	<u>12,240</u>
Total professional development		
	<u>32,049</u>	<u>12,240</u>
Supervision and direction of instructional staff:		
Salaries	88,124	86,087
Benefits	42,606	34,793
Purchased services	3,430	3,563
Supplies and materials	4,368	6,383
Other expenses	667	75
	<u>139,195</u>	<u>130,901</u>
Total supervision and direction of instructional staff		
	<u>139,195</u>	<u>130,901</u>
Total support services - instructional staff		
	<u>331,329</u>	<u>305,656</u>
Support service - general administration:		
Board of education:		
Salaries	9,680	8,135
Purchased services	50,090	63,085
Supplies and materials	154	311
Other expenses	33,619	33,776
	<u>93,543</u>	<u>105,307</u>
Total board of education		
	<u>93,543</u>	<u>105,307</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
SUPPORTING SERVICES (Continued):		
Supporting services - general administration (Concluded):		
Executive administration:		
Salaries	\$ 143,953	\$ 140,022
Benefits	67,207	57,252
Purchased services	10,888	7,800
Supplies and materials	55	132
Other expenses	327	2,160
	<u>222,430</u>	<u>207,366</u>
Total executive administration	<u>222,430</u>	<u>207,366</u>
	<u>315,973</u>	<u>312,673</u>
Total support services - general administration	<u>315,973</u>	<u>312,673</u>
Support services - school administration:		
Office of the principal:		
Salaries	516,151	527,337
Benefits	237,877	206,640
Purchased services	22,906	22,519
Supplies and materials	12,476	11,909
Other expense	10,919	8,904
	<u>800,329</u>	<u>777,309</u>
Total support services - school administration	<u>800,329</u>	<u>777,309</u>
Support services - business:		
Fiscal services:		
Salaries	162,624	168,266
Benefits	72,499	59,372
Purchased services	17,504	19,141
Supplies and materials	4,815	19,286
Other expenses	747	485
	<u>258,189</u>	<u>266,550</u>
Total fiscal services	<u>258,189</u>	<u>266,550</u>
Other business services:		
Purchased services	60,206	56,970
Interest on debt	21,401	12,101
	<u>81,607</u>	<u>69,071</u>
Total other business services	<u>81,607</u>	<u>69,071</u>
Total support services - business	<u>339,796</u>	<u>335,621</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
SUPPORTING SERVICES (Concluded):		
Support services - operations and maintenance:		
Salaries	\$ 417,562	\$ 433,675
Benefits	276,720	247,590
Purchased services	481,578	437,297
Supplies and materials	45,890	62,613
Other expenses	17,109	30,389
Capital outlay	26,466	55,283
Total support services - operations and maintenance	<u>1,265,325</u>	<u>1,266,847</u>
Support services - transportation:		
Salaries	378,536	357,461
Benefits	149,720	117,312
Purchased services	51,139	49,492
Supplies and materials	107,714	91,688
Other expenses	7,374	2,204
Capital outlay	140,260	118,263
Total support services - transportation	<u>834,743</u>	<u>736,420</u>
Central:		
Salaries	84,318	70,287
Benefits	40,493	31,646
Purchased services	3,898	4,367
Supplies and materials	4,351	3,547
Capital outlay		148,550
Other expenses	691	956
Total central	<u>133,751</u>	<u>259,353</u>
TOTAL SUPPORTING SERVICES	<u>4,596,380</u>	<u>4,580,353</u>
COMMUNITY SERVICES:		
Community services - child care:		
Salaries	21,983	21,332
Benefits	5,255	4,756
Purchases services		232
Supplies and materials	2,869	3,364
TOTAL COMMUNITY SERVICES	<u>30,107</u>	<u>29,684</u>
TOTAL EXPENDITURES	<u><u>\$ 11,596,388</u></u>	<u><u>\$ 10,834,521</u></u>

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
with comparative totals for June 30, 2005**

ASSETS	School lunch fund	Athletics fund	Totals	
			2006	2005
Cash	\$ 9,537	\$ 9,860	\$ 19,397	\$ 34,664
Due from other governmental units				19,132
Due from other funds	20,309		20,309	
Prepaid expenses		1,911	1,911	
Inventories	10,772		10,772	10,952
TOTAL ASSETS	\$ 40,618	\$ 11,771	\$ 52,389	\$ 64,748
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 9,068	\$	\$ 9,068	\$ 5,895
Accounts payable	4,441		4,441	
Total liabilities	13,509		13,509	5,895
Fund balances:				
Reserved for inventories	10,772		10,772	10,952
Unreserved:				
Undesignated	16,337	11,771	28,108	47,901
Total fund balances	27,109	11,771	38,880	58,853
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,618	\$ 11,771	\$ 52,389	\$ 64,748

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
with comparative totals for the year ended June 30, 2005**

	School lunch fund	Athletics fund	Totals	
			2006	2005
REVENUES:				
Student lunches	\$ 163,464	\$	\$ 163,464	\$ 165,123
Adult lunches	16,053		16,053	16,031
Breakfast	10,388		10,388	10,163
Ala carte	166,694		166,694	168,858
Catering	34,819		34,819	33,857
State aid	33,526		33,526	34,404
Federal aid	176,323		176,323	171,355
Athletic activities		50,525	50,525	56,451
Investment income	1,051	669	1,720	467
Miscellaneous	1,090	4,065	5,155	4,386
Total revenues	603,408	55,259	658,667	661,095
EXPENDITURES:				
Food purchases	245,683		245,683	253,090
Sales tax	789		789	848
Salaries	191,494		191,494	181,139
Supplies and materials	32,202	30,247	62,449	38,796
Miscellaneous	1,069	4,363	5,432	7,333
Repairs	2,304		2,304	6,764
Capital outlay	2,818	10,777	13,595	11,270
Office expense	13,841		13,841	14,964
Benefits	62,873		62,873	46,938
Athletic activities		36,224	36,224	28,396
Contracted services	80,494		80,494	85,648
Total expenditures	633,567	81,611	715,178	675,186

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
with comparative totals for the year ended June 30, 2005**

	School lunch fund	Athletics fund	Totals	
			2006	2005
DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ (30,159)	\$ (26,352)	\$ (56,511)	\$ (14,091)
OTHER FINANCING SOURCES:				
Operating transfer in from general fund	17,538	19,000	36,538	43,041
NET CHANGE IN FUND BALANCES	(12,621)	(7,352)	(19,973)	28,950
FUND BALANCES, beginning of year	39,730	19,123	58,853	29,903
FUND BALANCES, end of year	<u>\$ 27,109</u>	<u>\$ 11,771</u>	<u>\$ 38,880</u>	<u>\$ 58,853</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
with comparative totals for June 30, 2005**

	Debt service funds			Totals	
	1996	1998	1999	2006	2005
ASSETS					
Cash	\$ 31,556	\$ 193,747	\$ 207,462	\$ 432,765	\$ 325,161
Taxes receivable					6,306
TOTAL ASSETS	<u>\$ 31,556</u>	<u>\$ 193,747</u>	<u>\$ 207,462</u>	<u>\$ 432,765</u>	<u>\$ 331,467</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred tax revenue	\$	\$	\$	\$	\$ 6,306
Fund balances:					
Reserved for debt service	<u>31,556</u>	<u>193,747</u>	<u>207,462</u>	<u>432,765</u>	<u>325,161</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,556</u>	<u>\$ 193,747</u>	<u>\$ 207,462</u>	<u>\$ 432,765</u>	<u>\$ 331,467</u>

HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
with comparative totals for the year ended June 30, 2005

	Debt service funds				Totals	
	<u>1996</u>	<u>1998</u>	<u>1999</u>	<u>Durant 1999</u>	<u>2006</u>	<u>2005</u>
REVENUES:						
State sources	\$	\$	\$	\$ 42,365	\$ 42,365	\$
Local sources:						
Property taxes	713,404	426,066	426,066		1,565,536	1,456,552
Investment income	5,562	6,750	6,764		19,076	9,143
	<u>718,966</u>	<u>432,816</u>	<u>432,830</u>	<u>42,365</u>	<u>1,626,977</u>	<u>1,465,695</u>
Total revenues						
EXPENDITURES:						
Principal retirement	650,000	60,000	45,000	29,277	784,277	725,000
Interest on bonded debt	84,375	354,408	355,993	13,088	807,864	838,073
Professional fees	625	600	600		1,825	5,716
	<u>735,000</u>	<u>415,008</u>	<u>401,593</u>	<u>42,365</u>	<u>1,593,966</u>	<u>1,568,789</u>
Total expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,034)	17,808	31,237		33,011	(103,094)
OTHER FINANCING SOURCES:						
Proceeds from school bond		41,856	32,737		74,593	212,606
	<u>(16,034)</u>	<u>59,664</u>	<u>63,974</u>		<u>107,604</u>	<u>109,512</u>
NET CHANGE IN FUND BALANCES						
FUND BALANCES, beginning of year	47,590	134,083	143,488		325,161	215,649
	<u>47,590</u>	<u>134,083</u>	<u>143,488</u>		<u>325,161</u>	<u>215,649</u>
FUND BALANCES, end of year	\$ 31,556	\$ 193,747	\$ 207,462	\$	\$ 432,765	\$ 325,161
	<u>\$ 31,556</u>	<u>\$ 193,747</u>	<u>\$ 207,462</u>	<u>\$</u>	<u>\$ 432,765</u>	<u>\$ 325,161</u>

**HOPKINS PUBLIC SCHOOLS
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
with comparative totals for June 30, 2005**

	Private purpose trust fund	Agency funds	Totals	
			2006	2005
ASSETS				
Cash	\$	\$ 46,602	\$ 46,602	\$ 31,371
Land	37,000		37,000	37,000
Land improvements	3,522		3,522	3,522
Building	40,000		40,000	40,000
Building improvements	1,097		1,097	1,097
	<u>\$ 81,619</u>	<u>\$ 46,602</u>	<u>\$ 128,221</u>	<u>\$ 112,990</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to student groups	\$	\$ 46,602	\$ 46,602	\$ 31,371
Fund balances:				
Reserved for school use	81,619		81,619	81,619
	<u>\$ 81,619</u>	<u>\$ 46,602</u>	<u>\$ 128,221</u>	<u>\$ 112,990</u>

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Receipts	Disbursements	Balance June 30, 2006
Kindergarten - Coffindaffer	\$ 26	\$ 50	\$	\$ 76
Kindergarten - Crowe	656	484	666	474
Kindergarten - Hennip	157	50		207
Kindergarten - Hartuniewicz	264	100	98	266
Kindergarten - Galligan		50		50
Kindergarten - King	4	100		104
1st grade - Modreske	270	50	184	136
1st grade - Gilbert	47	50	64	33
1st grade - Moored	207	50	40	217
2nd grade - Skorupski	84	230	273	41
2nd grade - Edwards	277	50	142	185
2nd grade - Wolfe	29	50	30	49
3rd grade - Mielke	459	3,606	3,790	275
3rd grade - Hoeksema	211	50	30	231
3rd grade - Vendeville	519	50		569
3rd grade - McClish	32	83	24	91
3rd grade - Bardelmeier	120	50	170	
4th grade - Meyers	113	100	63	150
4th grade - Rademacher	26	92	112	6
4th grade - Rigotti - Craig	121	92	124	89
4th grade - Duiven	44	432	410	66
5th grade - Whitmore	141	50		191
5th grade - Pike	314	313	304	323
HE Young Authors	293		36	257
Y5's - Siebers	281	50	234	97
Math HE	3		3	
Buddy Reading	1	675	342	334
Sp Ed - Larr	198			198
Sp Ed - Soderquist	29	50		79
Sp Ed - Irwin	103			103
Sp Ed - Ball	266	50	33	283
Sp Ed - High School	99	3,041	3,106	34

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Receipts	Disbursements	Balance June 30, 2006
1st grade - Watson	\$ 135	\$ 69	\$ 42	\$ 162
1st grade - Cardenas	107	57	87	77
Hopkins Elementary Misc.	792	4,820	4,400	1,212
Sycamore - Misc.	311	2,285	1,223	1,373
 Sycamore Field Trips	 18	 1,990	 1,972	 36
Cross Country	835	1,688	1,857	666
Hopkins Elementary Music	1	263		264
Hopkins Elementary Gym	177	50	67	160
6th Grade Camp	6,441	14,912	17,114	4,239
 Wrestling	 1,164	 50	 100	 1,114
Varsity Girls' Basketball	1,355	1,825	1,985	1,195
Varsity Baseball	74	1,527	1,266	335
Varsity Boys' Basketball	1,296	11,980	11,418	1,858
Golf	629	50	398	281
 Track	 437	 900	 550	 787
Wrestling Club	181			181
Soccer Club	226		42	184
Bowling Club	32	1,400		1,432
Class of 2011	200	200		400
 Class of 2005	 622	 623	 1,245	
Varsity Cheerleaders	975	3,164	3,594	545
Athletic Director	360			360
Athletic Director Programs	219			219
Yearbook/Journalism	4,855	16,912	18,666	3,101
 FFA	 193	 12,064	 9,249	 3,008
Band	4,491	13,401	12,880	5,012
Band Uniforms	2,507	3,493	6,000	
Honor Society	366	100		466
Hopkins Elementary Field Trips	1,294	13,753	14,632	415

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Receipts	Disbursements	Balance June 30, 2006
Spanish Club	\$ 2,617	\$ 7,766	\$ 8,255	\$ 2,128
Art Club		5,387	4,072	1,315
HS Student Council	229	4,745	7,328	(2,354)
Jr. High Student Council	852	335	307	880
Hopkins Elem. Student Council	2,774	4,291	3,557	3,508
 Sycamore Student Council	 1,845	 10,618	 10,394	 2,069
Drama Club	910	835	1,443	302
SADD	117	2,600	2,007	710
Dance Club		1,494	1,018	476
HHS Scholarship	450	250		700
 Hellwig Scholarship	 1,280	 85		 1,365
American Bottling Scholarship	1,000			1,000
VanderPloeg Scholarship	50	200	200	50
Kenneth Arndt Scholarship	1,254			1,254
AP Classes	417	276	560	133
 Indjer Scholarship	 2,250			 2,250
Pep Club	87			87
Drug Free Schools	3			3
Internal	152	1,319	1,813	(342)
Interest	993	4,457	4,380	1,070
 High school principal	 2,326	 5,759	 4,677	 3,408
Volleyball	3,088	12,638	5,769	9,957
Varsity football	1,964	3,393	3,532	1,825
Softball	187	767	953	1
Ski Club	308	1,577	1,477	408
 HE Library	 363	 2,713	 2,675	 401
Hopkins Elementary Art	111	50		161
Sycamore Music	106			106
Sycamore Art	178	50	106	122
Shelley Smith	76	50		126

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Receipts	Disbursements	Balance June 30, 2006
Sycamore Gym	\$ 93	\$	\$ 43	\$ 50
Sycamore Library	1,053	6,138	6,081	1,110
Sycamore Young Authors	1,328	2,753	2,500	1,581
Wise Farm Rental	460			460
Choir	(24,512)	25,166	25,639	(24,985)
Accelerated Reader - HE	43		40	3
 Musical	 (23,515)	 41,497	 35,320	 (17,338)
6th Grade Team	421	940	997	364
7th Grade Team	449	3,055	2,817	687
8th Grade Team	1,308	1,510	1,869	949
Destination Imagination	96	152	92	156
 Leonard Brenner Scholarship		500		500
Wayland VFW Scholarship		100		100
High School Spirit Shop	179	4,873	5,046	6
Class of 2006	1,619	1,335	1,399	1,555
Class of 2007	2,406	5,277	4,893	2,790
Class of 2008	1,001	1,761	1,743	1,019
 Class of 2009	 440	 3,695	 2,772	 1,363
Class of 2010	400	200		600
Class of 2012		200		200
Arnsman Athletic Scholarship	1,000			1,000
Middle School Principal	2,902	11,240	9,016	5,126
Middle School Yearbook	2,526	7,073	7,708	1,891
	<u>\$ 31,371</u>	<u>\$ 306,794</u>	<u>\$ 291,563</u>	<u>\$ 46,602</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1996 BONDED DEBT
JUNE 30, 2006**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2007	6.250	\$ 21,875	\$ 21,875	\$ 700,000	\$ 743,750

Above bonds dated November 5, 1996, were issued for the purpose of erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Hopkins Elementary School, in part for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping the Sycamore Elementary School, in part for acquiring and installing education technology systems, developing and improving the site and playground; erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Junior/Senior High School for middle school purposes and, in part, for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping a new high school and acquiring and installing educational technology systems, developing and improving the site; and constructing and equipping a bus maintenance facility and developing and improving the site.

Total amount of original issue was \$20,990,000.

A portion of the original issue was defeased with the 1998 and 2000 refunding bonds.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 REFUNDING BONDS
JUNE 30, 2006**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2007	4.00	\$ 176,019	\$ 176,019	\$ 60,000	\$ 412,038
2008	4.05	174,819	174,819	415,000	764,638
2009	4.10	166,415	166,415	415,000	747,830
2010	4.15	158,011	158,011	415,000	731,022
2011	4.20	149,504	149,504	415,000	714,008
2012	4.25	140,893	140,893	415,000	696,786
2013	4.35	132,178	132,178	415,000	679,356
2014	4.40	123,359	123,359	415,000	661,718
2015	4.45	114,333	114,333	415,000	643,666
2016	4.50	105,203	105,203	415,000	625,406
2017	4.55	95,969	95,969	415,000	606,938
2018	4.65	86,631	86,631	415,000	588,262
2019	4.65	77,190	77,190	415,000	569,380
2020	4.65	67,541	67,541	415,000	550,082
2021	4.65	57,893	57,893	415,000	530,786
2022	4.65	48,244	48,244	415,000	511,488
2023	4.65	38,595	38,595	415,000	492,190
2024	4.65	28,946	28,946	415,000	472,892
2025	4.65	19,298	19,298	415,000	453,596
2026	4.65	9,649	9,649	415,000	434,298
		<u>\$ 1,970,690</u>	<u>\$ 1,970,690</u>	<u>\$ 7,945,000</u>	<u>\$ 11,886,380</u>

Total amount of original issue was \$8,370,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1999 REFUNDING BONDS
JUNE 30, 2006**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2007	4.05	\$ 177,096	\$ 177,096	\$ 45,000	\$ 399,192
2008	4.15	176,185	176,185	415,000	767,370
2009	4.20	167,678	167,678	415,000	750,356
2010	4.30	159,066	159,066	410,000	728,132
2011	4.35	150,456	150,456	440,000	740,912
2012	4.40	140,996	140,996	430,000	711,992
2013	4.50	131,644	131,644	425,000	688,288
2014	4.55	122,294	122,294	420,000	664,588
2015	4.60	112,844	112,844	420,000	645,688
2016	4.65	103,289	103,289	415,000	621,578
2017	4.70	93,744	93,744	410,000	597,488
2018	4.75	84,211	84,211	405,000	573,422
2019	4.75	74,694	74,694	400,000	549,388
2020	4.75	65,194	65,194	400,000	530,388
2021	4.75	55,694	55,694	395,000	506,388
2022	4.75	46,313	46,313	390,000	482,626
2023	4.75	37,050	37,050	390,000	464,100
2024	4.75	27,788	27,788	390,000	445,576
2025	4.75	18,525	18,525	390,000	427,050
2026	4.75	9,263	9,263	390,000	408,526
		<u>\$ 1,954,024</u>	<u>\$ 1,954,024</u>	<u>\$ 7,795,000</u>	<u>\$ 11,703,048</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
JUNE 30, 2006**

<u>Fiscal year ended June 30,</u>	<u>Interest rate</u>	<u>Interest due May 15,</u>	<u>Principal due May 15,</u>	<u>Total due annually</u>
2007	4.76	\$ 2,495	\$ 6,481	\$ 8,976
2008	4.76	2,186	6,791	8,977
2009	4.76	1,863	7,115	8,978
2010	4.76	1,524	7,453	8,977
2011	4.76	1,169	7,808	8,977
2012	4.76	798	8,180	8,978
2013	4.76	408	8,569	8,977
		<u>\$ 10,443</u>	<u>\$ 52,397</u>	<u>\$ 62,840</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the State Aid Payments). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**HOPKINS PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS – STATE OF MICHIGAN
SCHOOL BOND LOAN FUND
JUNE 30, 2006**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Accrued interest</u>	<u>Net increase</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517
2006	74,593	220,718	295,311	5,644,828



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Edward L. Williams, III
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Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 13, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2006, which collectively comprise Hopkins Public Schools basic financial statements and have issued our report thereon dated July 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 13, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopkins Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Hopkins Public Schools in a separate letter dated July 13, 2006.

This report is intended solely for the information of the Board of Education, management, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants



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July 13, 2006

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

In planning and performing our audit of the financial statements of Hopkins Public Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated July 13, 2006, on the financial statements of Hopkins Public Schools.

Athletic Gate Receipts

Currently the District is using clickers to reconcile the amount of money collected at sporting events to the number of people paying for entry. This method does not leave an audit trail and if there were ever a problem it would be difficult to pin point where the problem occurred. The District should monitor the accuracy of the system and consider modifications if reconciliations are difficult or inconsistent.

Food Service Receipts

At present, the lead kitchen staff collects money from the classrooms at the elementary schools and proceeds to count this money and adjust the appropriate student accounts. We suggest that someone without the ability to adjust the students accounts collects and counts the money and then gives the data to another person to adjust the student balances.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a District's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the District's current budget procedures should be monitored during the year to avoid budget violation letters from the Michigan Department of Education.

Cash Management - Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during FY 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management. We suggest the district request funds on a reimbursement basis in order to ensure compliance with the cash management requirements.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District's ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exists.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

5

July 13, 2006

This report is intended solely for the information and use of Hopkins Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costurison & Ellis, P.C.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

July 13, 2006

To the Finance Committee
Hopkins Public Schools
Hopkins, Michigan

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2006, and have issued our report thereon dated July 13, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards.

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Hopkins Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Hopkins Public Schools compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Hopkins Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimated liability of compensated balances at June 30, 2006. The estimated liability is \$711,877.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Hopkins Public Schools financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Hopkins Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Hopkins Public Schools financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Hopkins Public Schools financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hopkins Public Schools auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Finance Committee
Hopkins Public Schools
Hopkins, Michigan

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July 13, 2006

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Finance Committee, Board of Directors, and management of Hopkins Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costrison & Ellis, P.C.